

CanCorp

HIGHLAND QUEEN SPORTSWEAR LIMITED



Annual Meeting of Shareholders

May 28, 1975



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/High0731_1975

HIGHLAND QUEEN SPORTSWEAR LIMITED

PRESIDENT'S REPORT

In 1974, profits did not rise in relationship to an increase in sales. Although sales increased from \$2,457,000 in 1973 to \$3,617,000 in 1974, the net earnings increased only from \$104,600 to \$106,300. Part of the reason for the slight improvement is attributable to the change in the method that the Company used in calculating its income tax. In 1974 the Company applied the small business deduction to reduce its income tax liability. This was not done in previous years. The Department of National Revenue has however, acknowledged that refunds will be paid for 1972 and 1973.

The significant cause for the decrease in earnings before taxes was the reduction of the gross mark-up. During the year there were unscheduled material and labor increases which could not be passed on to the customer. As well, because of the softening of business towards the end of the year inventory clearouts were greater than in previous years. For the coming year it is expected that the gross margin will be improved and if economic conditions remain sufficiently buoyant so that Highland Queen will get its fair share of business, it is anticipated that profits will improve.

We have entered into a licensing agreement with the Organizing Committee of the 1976 Olympic Games whereby the Olympic logo has been licensed to us for use in connection with our Olympic tartan for men's, women's and children's wear, fashion accessories and fabric by the yard. It is expected that the Royalty income earned from this source will enhance the earnings of the Company.

I want to express my appreciation to all those associated with the Company for the confidence which they have shown us.

On Behalf of the Board of Directors

DAVID WEISER

April 28, 1975

HIGHLAND QUEEN SPORTSWEAR LIMITED

INFORMATION CIRCULAR

as at April 28th, 1975

MANAGEMENT SOLICITATION

This Information Circular is furnished in connection with the solicitation by the Management of HIGHLAND QUEEN SPORTSWEAR LIMITED of proxies to be voted at the Annual Meeting of Shareholders of the Corporation, to be held at the time and place and for the purposes set forth in the Notice of Meeting. The solicitation will be by mail and the cost will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed Form of Proxy are Directors of the Corporation. A Shareholder desiring to appoint some other person to represent him at the Meeting may do so by inserting in the blank space provided in the said form the name of the person whom he wishes to appoint as his proxy and delivering or mailing the completed proxy to Guaranty Trust Company of Canada at 88 University Avenue, Toronto 1.

A Shareholder executing the enclosed proxy has the power to revoke it at any time prior to its use by instrument in writing, executed by the Shareholder or his attorney duly authorized in writing, or, if the Shareholder is a Corporation, under its corporate seal or by an officer or attorney thereof, duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the Meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

It is intended that the accompanying Instrument of Proxy, if signed, dated and returned to the Corporation prior to the Meeting, will be voted for the election of Directors and the appointment of Auditors in accordance with the instructions contained in the enclosed Instrument of Proxy, and will be voted with respect to amendments or variations identified in the Notice of Meeting or other matters that may properly come before the Meeting according to the best judgment of the person voting the proxy at the Meeting.

The Management knows of no matters to come before the Annual Meeting of Shareholders other than the matters referred to in the Notice of Meeting. If any matters which are not known should properly come before the Meeting, the accompanying Proxy Instrument will be voted in such matters, in accordance with the best judgment of the person voting it.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation has an authorized capital consisting of 100 common shares without par value, 500,000 Class "A" shares without par value and 500,000 Class "B" shares without par value, of which 321,770 Class "A" shares and 8,230 Class "B" shares are issued and outstanding as fully paid and non-assessable. Each share carries the right to one vote. Each registered shareholder of record at the time of the taking of the vote at the Annual Meeting will be entitled to vote at the meeting. To the knowledge of the Management, the only person or corporation beneficially owning more than 10 per cent of the issued and outstanding shares of the Corporation, are the following:

David Weiser	101,250	30.681% of the issued and outstanding shares
Dune Investments Limited	86,250	26.136% of the issued and outstanding shares

The shareholders of Dune Investments Limited are the wife and four children of David Weiser.

ELECTION OF DIRECTORS

The Board of Directors consists of five directors to be elected annually. The persons named in the enclosed Instrument of Proxy intend to vote, subject to any restrictions that may be imposed by the Instrument of Proxy, for the election of the nominees whose names are set forth below. It is not contemplated that any of the nominees will be unable to serve as a Director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee in their discretion. Each Director will hold office until the next Annual Meeting or until his successor is duly elected or appointed, if his office is earlier vacated in accordance with the By-laws of the Corporation.

The following table states the names of all persons proposed to be nominated for election as Directors, their position with the Corporation, their principal occupation or employment during the past five years, the date on which they became Directors of the Corporation, and the approximate number of shares of the Corporation beneficially owned, directly or indirectly, by each of them as of April 28, 1975.

Name of Proposed Nominee	Offices presently held in Corporation	Director since	No. of Shares beneficially owned	Principal occupation
David Weiser	Executive President and Director	February 28, 1957	101,250*	President of the Corporation
Howard Weiser	Vice-President and Director	April 27, 1970	4,750	Vice-President and Executive in charge of Styling and Production of Highland Queen Sportswear Limited, Toronto
Joseph Weiser	Secretary-Treasurer and Director	February 17, 1969	4,750	Secretary-Treasurer of the Corporation
Paul Henry, Q.C.	Director	February 1, 1968	Nil	Senior partner of Henry & Brown Barristers and Solicitors, Toronto, Ontario
Leon Arthurs	Director	May 21, 1971	Nil	Patent Attorney, Toronto, Ontario

*See heading "Voting Shares and Principal Holders Thereof".

Mr. Joseph Weiser is the nominee of Dune Investments Limited to the Board of Directors.

REMUNERATION OF MANAGEMENT

The aggregate direct remuneration paid or payable by the Corporation to the Directors and Senior Officers of the Corporation and subsidiaries in respect of the Corporation's fiscal year ended October 31, 1974, was \$158,354.00. During the last completed financial year, David Weiser was indebted to the Corporation for money loaned to him, without interest, to enable him to complete the purchase of a condominium dwelling. The largest aggregate amount of the indebtedness was \$25,750.00.

APPOINTMENT OF AUDITORS

The persons named in the enclosed Form of Proxy intend to vote for the reappointment of Wm. Eisenberg & Co., Toronto, the present Auditors, as Auditors of the Corporation to hold office until the next Annual Meeting of the Shareholders. The said Auditors were first appointed in 1957.

HIGHLAND QUEEN SPORTSWEAR LIMITED
 (Incorporated under the Laws of Ontario)
AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at October 31, 1974

	A S S E T S	
	1974	1973
CURRENT ASSETS		
Cash.....	\$ 20,860	\$ —
Accounts receivable.....	539,422	623,722
Due from shareholders (note 2).....	30,817	21,500
Income and sales taxes recoverable.....	27,297	—
Miscellaneous receivables.....	10,616	2,891
Inventories (note 1(b)).....	482,779	456,626
Prepaid expenses and sundry.....	18,626	21,591
	<u>1,130,417</u>	<u>1,126,330</u>
FIXED ASSETS (note 1(c)).....	69,197	57,920
OTHER ASSETS		
Excess of cost of subsidiary over net book value of assets acquired (note 1(d))..	101,356	101,356
Investments – 10% Debenture, due December 31, 1976.....	12,500	12,500
– Sundry – at cost.....	2,960	2,960
	<u>116,816</u>	<u>116,816</u>
	<u><u>\$1,316,430</u></u>	<u><u>\$1,301,066</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Secured bank indebtedness (note 3).....	\$ 391,000	\$ 400,707
Accounts payable and accrued liabilities.....	245,929	258,462
Income and other taxes.....	28,133	99,801
	<u>665,062</u>	<u>758,970</u>
Deferred income taxes.....	4,600	1,600
SHAREHOLDERS' EQUITY		
Capital stock (note 4).....	100	100
Retained earnings.....	646,668	540,396
	<u>646,768</u>	<u>540,496</u>
	<u><u>\$1,316,430</u></u>	<u><u>\$1,301,066</u></u>

Approved on behalf of the Board

“D. WEISER”, Director

“J. WEISER”, Director

HIGHLAND QUEEN SPORTSWEAR LIMITED
 (Incorporated under the Laws of Ontario)
AND SUBSIDIARY COMPANIES

**Consolidated Statement of Earnings and Retained Earnings
 for the year ended October 31, 1974**

	1974	1973
EARNINGS		
Revenue		
Sales.....	\$3,617,700	\$2,456,885
R ^{oyalty} revenue.....	2,006	3,349
Interest income.....	1,390	1,395
	<u>3,621,096</u>	<u>2,461,629</u>
Cost of sales.....	2,694,980	1,740,021
Earnings before the undernoted expenses.....	926,116	721,608
Selling and administrative expenses.....	712,994	492,144
Depreciation.....	19,224	13,877
Interest.....	53,726	26,879
	<u>785,944</u>	<u>532,900</u>
Earnings before income taxes.....	140,172	188,708
Income taxes (note 8).....	33,900	84,100
Net earnings.....	<u>\$ 106,272</u>	<u>\$ 104,608</u>
Net earnings per share.....	32.2¢	31.7¢
Number of shares outstanding.....	<u>330,000</u>	<u>330,000</u>
RETAINED EARNINGS		
Balance at beginning of year.....	\$ 540,396	\$ 468,788
Net earnings.....	106,272	104,608
	<u>646,668</u>	<u>573,396</u>
Dividends on Class "A" shares (including taxes thereon of \$4,864).....	—	32,427
Dividends on Class "B" shares.....	—	573
	<u>—</u>	<u>33,000</u>
Balance at end of year.....	<u>\$ 646,668</u>	<u>\$ 540,396</u>
Dividends per share.....	—	10¢
	<u>—</u>	<u>10¢</u>

HIGHLAND QUEEN SPORTSWEAR LIMITED
 (Incorporated under the Laws of Ontario)
AND SUBSIDIARY COMPANIES

Consolidated Statement of Changes in Financial Position
for the year ended October 31, 1974

	1974	1973
SOURCE OF WORKING CAPITAL		
Operations		
Net earnings.....	\$ 106,272	\$ 104,608
Add charges not requiring use of working capital:		
Depreciation.....	19,224	13,877
Deferred income taxes.....	3,000	1,600
	<u>128,496</u>	<u>120,085</u>
USE OF WORKING CAPITAL		
Purchase of fixed assets.....	30,501	45,255
Dividends on Class "A" shares (including taxes thereon of \$4,864).....	—	32,427
Dividends on Class "B" shares.....	—	573
	<u>30,501</u>	<u>78,255</u>
INCREASE IN WORKING CAPITAL.....	97,995	41,830
WORKING CAPITAL AT BEGINNING OF YEAR.....	367,360	325,530
WORKING CAPITAL AT END OF YEAR.....	\$ 465,355	\$ 367,360

AUDITORS' REPORT

To the Shareholders of
HIGHLAND QUEEN SPORTSWEAR LIMITED.

We have examined the consolidated balance sheet of Highland Queen Sportswear Limited and its subsidiary companies as at October 31, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at October 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
 January 8, 1975

W.M. EISENBERG & Co.
 Chartered Accountants

HIGHLAND QUEEN SPORTSWEAR LIMITED
 (Incorporated under the Laws of Ontario)
AND SUBSIDIARY COMPANIES

Notes to the Consolidated Financial Statements
October 31, 1974

1. Accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies. These are:

Rotex Limited – 100% owned
 Jack Winter Sportswear Limited – 100% owned

An exclusive option which expires on October 31, 1978 has been granted to Jack Winter, Inc. to purchase up to a 20% equity interest in Jack Winter Sportswear Limited. The purchase price shall be determined by mutual agreement at the time of exercise of this option.

All inter-company loans and transactions have been eliminated on consolidation.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value and are classified as follows:

	1974	1973
Raw materials.....	\$194,851	\$167,916
Work-in-process.....	38,854	38,542
Finished goods.....	249,074	250,168
	<hr/> <u>\$482,779</u>	<hr/> <u>\$456,626</u>

(c) Fixed assets

Fixed assets are valued at cost and the company depreciates its equipment and furniture on the diminishing balance method at the rate of 20% per annum and leasehold improvements on a straight line basis over the term of each lease and first renewal option. Details of fixed assets are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Equipment and furniture.....	\$146,179	\$ 95,035	\$ 51,144
Leasehold improvements.....	48,130	30,077	18,053
Total, October 31, 1974.....	<hr/> <u>\$194,309</u>	<hr/> <u>\$125,112</u>	<hr/> <u>\$ 69,197</u>
Total, October 31, 1973.....	<hr/> <u>\$163,808</u>	<hr/> <u>\$105,888</u>	<hr/> <u>\$ 57,920</u>

(d) The excess of cost of subsidiary over net book value of assets acquired is carried on the accounts at cost without amortization.

(e) Foreign currencies have been translated into Canadian funds as follows:

Current assets and liabilities – at the prevailing rates on October 31, 1974.

Revenue and expenses – at the average rates prevailing during the year.

2. Due from shareholders

Loans made by the company and a subsidiary during 1974 to shareholders amounted to approximately \$31,000.

3. Secured bank indebtedness

Book debts and inventories of the company and its subsidiaries have been pledged as security for the bank indebtedness.

4. Capital stock

(a) The authorized and issued capital stock of the company is summarized as follows:

	Number Authorized	Issued	
		Number	Amount
Class "A" voting, fully participating shares, without par value	500,000	321,770	\$ 98
Class "B" voting, fully participating shares, without par value	500,000	8,230	2
Common shares, without par value.....	100	—	—
		<u>330,000</u>	<u>\$100</u>

Class "A" shares may be converted into Class "B" shares and Class "B" shares may be converted into Class "A" shares at any time at the option of the respective holders thereof on a share for share basis.

(b) 550 Class "A" shares were converted into 550 Class "B" shares during the year.

(c) Holders of Class "A" shares are entitled to receive, when declared, dividends paid out of tax-paid undistributed income on hand at the end of 1971. Holders of Class "B" shares are entitled to receive 100/85 of the amount of dividends paid to holders of Class "A" shares out of tax-paid undistributed income on hand at the end of 1971 on a share for share basis.

5. Lease commitments

The approximate rental commitments, under existing leases, for each of the next two years, at the end of which time the principal leases will expire, is as follows:

1975.....	\$42,600
1976.....	\$28,600

6. Executive remuneration

The aggregate direct remuneration paid by the company and its subsidiaries during the year to the five highest paid employees (which include the directors as officers or employees) totalled \$158,354 (1973 - \$141,571).

7. Contingent liabilities

The company has guaranteed, unconditionally, the performance of all obligations under a licensing agreement entered into by a subsidiary which includes the payment of a minimum licensing fee of \$50,000 for each of the next four years.

8. Income taxes

In calculating its 1974 provision for income taxes, the company has claimed the small business deduction. The company has refiled its 1972 and 1973 income tax returns in which the small business deduction has been claimed. No provision has been made in these financial statements for any income taxes which may be recovered as a result of this claim.

